



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Inspection Report

Follow-up Review of Property
Control and Accountability at the
Idaho National Laboratory

INS-L-11-03

September 2011



Department of Energy
Washington, DC 20585

September 7, 2011

MEMORANDUM FOR MANAGER, IDAHO OPERATIONS OFFICE

FROM: 
Sandra D. Bruce
Assistant Inspector General for Inspections

SUBJECT: INFORMATION: Inspection Report on "Follow-up Review of Property Control and Accountability at the Idaho National Laboratory"

BACKGROUND

The primary function of the Idaho National Laboratory (Idaho) is to support the Department of Energy's (Department) mission regarding nuclear and energy research, science and national defense. The Idaho Operations Office oversees Battelle Energy Alliance (Battelle), which manages and operates Idaho for the Department. Under this contract, Battelle is responsible for establishing and maintaining personal property management systems and conducting periodic reviews of those systems for all personal property acquired by it and/or Idaho. Battelle is also responsible for ensuring effective life-cycle management of a large and diverse personal property inventory of approximately 40,000 items with an acquisition value of about \$450 million. Idaho's personal property portfolio includes, but is not limited to, computers, cell phones, laboratory equipment and security equipment.

In April 2005, the Office of Inspector General (OIG) issued a report on "[Property Control and Accountability at the Idaho National Laboratory](#)," (DOE/IG-0687). Our report concluded that certain improvements were needed in property management and reporting processes. Management concurred with the recommendations and stated that they took corrective action in response to our report.

Given the past property accountability concerns and new allegations regarding missing property, we initiated this inspection to determine if Idaho had improved selected aspects of its processes for managing Government property.

CONCLUSIONS AND OBSERVATIONS

Our inspection revealed that Idaho officials have generally taken corrective action in response to our 2005 report to improve Idaho's processes for maintaining custody and accountability for excess property and for reporting and investigating missing or stolen property. Specifically, Idaho officials:

- Developed procedures to improve its processes for tracking excess property;

- Took several steps to inform employees of their responsibility to adhere to procedures and maintain accountability and control of Government property;
- Strengthened the missing or stolen property procedures to improve the reporting process; and,
- Modified the procedure designed to strengthen accountability of Government property assigned to terminating employees.

Additionally, as a part of our inspection, we evaluated practices as they related to a complaint which alleged that Idaho may not be exerting due diligence to locate missing property prior to excessing it from the inventory as "retired" property. Despite specific testing, we could not substantiate the allegation.

Excess Property

Idaho officials developed selected procedures, including a property report requirement, to improve its processes for tracking excess property. Specifically, Idaho issued a laboratory-wide procedure, *Disposing of Government Personal Property*, to strengthen chain of custody when excessing property during the staging and transportation phase. Also, Idaho procedures included a requirement for the individual to generate a copy of an Excess Property Report for each property item being excessed. This report is retained by the originator until Property Disposal Services (PDS) notifies the originator that the property has been received at the disposal facility.

Our discussions with Idaho officials regarding property items from the property reports revealed that employees were preparing and routing the property reports as identified in the procedures. Also, interviews with property custodians regarding their knowledge of the excess process and the property report requirements revealed that the custodians demonstrated acceptable knowledge of their responsibilities to maintain accountability of property. Specifically, property custodians knew (1) when to prepare the property report, and (2) how to use it as a method to track the property until the property disposal facility personnel acknowledged receipt of the property. Further, our interviews with Idaho employees regarding the location of excess property awaiting shipment to the property disposal facility revealed that the employees could physically produce the excess property or readily identify the interim storage location. Our discussions with a number of employees in the property disposal facility disclosed that they were knowledgeable of the excess property procedures and could readily locate randomly selected property items within the facility or produce documentation identifying the final disposition of property items.

Our 2005 inspection report identified property control weakness concerning Information Technology personnel distributing computer equipment for reuse by Idaho employees. We determined that Idaho eliminated this practice by issuing a laboratory-wide procedure, *Redistribution of PC Assets*, and *Sanitization and Redistribution of System Storage Media*, which requires that all excess computer equipment be maintained in a central location for sanitization and evaluated for disposal or transfer to other laboratory employees. We noted during our

review that each piece of computer equipment is logged on a "PDS-18" form which contained data related to the individual pieces of equipment, such as a description, tracking and property numbers, and the appropriate signatures.

Further, we confirmed that Idaho officials strengthened processes to ensure increased accountability of excess computers during the sanitization and evaluation process. Specifically, we selected one of the PDS-18 forms and verified that each of the 15 pieces of computer equipment identified on the form was located in PC Redistribution and accurately logged on the PDS-18 form. We also determined through discussions with personnel responsible for sanitizing and evaluating excess computer equipment that they were knowledgeable of the sanitization and redistribution procedures and were able to produce comprehensive records tracking the movement of assets between the disposal and sanitization facilities.

Property Management Procedures

Idaho officials generally took steps to inform employees of their responsibility to adhere to property management procedures and maintain accountability and control of Government-furnished property. Specifically, in response to our concern regarding employee accountability, Idaho officials took corrective actions including issuing employee standards of conduct and property accountability bulletins. We reviewed Policy 119, *Standards of Conduct and Business Ethics*, which provides guidance to employees concerning specific work situations. We determined that the section entitled, *Use of Idaho National Laboratory Assets*, emphasizes the employee's responsibilities for use of Government assets and states that Government-furnished supplies and equipment are not intended for personal use. Employees were further advised that the guidelines set forth in this policy would be enforced and that disciplinary action, up to and including termination of employment, could be levied against employees who violated this policy.

Also, as part of their corrective actions, Idaho officials issued four bulletins that discussed individual accountability, property storage and disposal procedures, property pass requirements and the implementation of an electronic property management system during 2005-2008. We reviewed the bulletins that were distributed electronically to employees and determined that each bulletin covered relevant property issues at the time of publication. In addition, we reviewed the laboratory-wide procedure, 2001 *Control of Idaho National Laboratory Government Property*, and found that the procedure was modified to inform employees of their responsibilities related to the appropriate use of Government property. The procedure states that end users are responsible for maintaining accountability and control of property; securing equipment to avoid loss or damage; and complying with all property management procedures regarding disposal of property.

As such, through our discussions with Idaho property management officials who were responsible for implementing, distributing and monitoring pertinent property procedures, we were informed that management has placed emphasis on ensuring employees are continually aware of their responsibilities to safeguard Government property. Additionally, discussions we

held with Idaho Operations Office personnel in the property and contracting areas confirmed their familiarity with the contractor's efforts and they also considered these efforts to be adequate to ensure that employees are aware of property management procedures.

Reporting Missing Property and Conducting Investigations

Idaho officials modified the missing or stolen property procedures, including the requisite forms, in an effort to strengthen the reporting process. In response to a recommendation in our 2005 report, management agreed to: 1) update the missing property report to reflect theft; 2) identify missing property with sensitive information; 3) modify processes and procedures to require immediate notification of theft to Idaho security; and, 4) include the current depreciated value and acquisition costs of items.

We reviewed the requisite forms and found that end users are required to complete the forms and submit them to their manager within one working day concerning theft or missing property. In turn, the manager is responsible for contacting Idaho security immediately if theft is suspected. Employees are also required to include pertinent information related to suspected theft, such as the date the incident was reported to the police and the police report number. We tested eight property investigation report packages to establish the timelines in which each phase of the reporting process occurred and determined that notifications were completed within the required one-day timeframe and contained the pertinent information. As a result of our procedure and document reviews, and interviews of property management, contracting and security officials, we concluded that the changes to the procedures and forms were positive steps toward increased cooperation and collaboration between property and security officials and improved processes and procedures.

In an effort to determine if the contractor's instances of lost or missing property identified in the previous report were related to inaccuracies and/or oversights in current inventories, we also performed inventory reconciliations. We tested 127 sensitive and highly portable personal property items from the current inventory with an original acquisition cost of \$5,000 or greater. Our book-to-floor/floor-to-book inventory reconciliation did not reveal any issues that warranted further review nor was there an indication that the inventory process was inadequate.

Property Held by Terminating Employees

Idaho officials modified the procedure, including a form (checklist), to provide assurances that Government property assigned to employees in the process of terminating employment was properly accounted for. From our review of the laboratory-wide procedure 2001, *Control of Idaho National Laboratory Government Property*, we determined that both the employee's and manager's responsibilities regarding property accountability for terminating employees are outlined. Specifically, managers are responsible for reassigning property before an employee leaves or assigning that property to themselves or another manager if Property Management has not received appropriate documents before actual employee termination.

We also confirmed that the procedure and checklist requires terminating employees to certify the return and/or transfer of administratively controlled property and identify any missing accountable property. Specifically, we determined that Idaho prepared 127 termination checklists for employees who separated their employment during 2010. We examined 20 of the 127 termination checklists and verified that the terminating employee signed and the responsible manager certified key elements related to returning or transferring the terminating employees' assigned property. These key elements included the return of any property passes, wireless devices and/or equipment specifically related to the manufacturing facilities.

Procedures for Retiring Missing Property

We did not find any evidence during our inspection to substantiate the April 2010, OIG Hotline allegation that Idaho officials may not be exerting due diligence to locate property reported as missing prior to excessing the property from the inventory as "retired" property. We determined that Idaho's process to retire property from accountability records, particularly missing property, was adequate. Department Order 580.1 requires that when retiring property a retirement work order must be included identifying property that is worn out, lost, stolen, destroyed, abandoned or damaged beyond economical repair. When property is lost, stolen, damaged or destroyed a full explanation of the circumstance and investigation results, when applicable, will be provided to the appropriate officials.

Based on discussions with Idaho officials, we determined that officials were knowledgeable of the process to retire Government property, to include retiring missing property. We also tested 10 of 19 retirement work orders that were for sensitive property with an original acquisition value in excess of \$5,000. Our testing of the 10 retirement work orders disclosed that the process for removing missing property from accountability records was effective. As such, our discussions with management, along with document and procedure reviews, revealed that Idaho officials were adhering to established policies and procedures for retiring missing property from the inventory records.

We appreciate the cooperation received from your staff during our inspection. Given that Department and Idaho officials have generally addressed the prior inspection report findings, and that steps and procedures have been instituted to continually improve current operations, we are making no recommendations and a response is not required.

Attachment

cc: Deputy Secretary
Associate Deputy Secretary
Acting Under Secretary of Energy
Acting Chief Financial Officer
Chief of Staff

SCOPE AND METHODOLOGY

This inspection was performed from October 2010 through September 2011 at Idaho National Laboratory (Idaho). This was a follow-up performance inspection to our previous report on "[Property Control and Accountability at the Idaho National Laboratory](#)," issued (DOE/IG-0687, April 2005), which also included information from an Office of Inspector General (OIG) Hotline allegation. To accomplish the inspection objective, we:

- Reviewed and analyzed the Idaho response and corrective actions related to the previous OIG recommendations in the Departmental Audit Report Tracking System;
- Reviewed and analyzed Federal regulations, Departmental directives, and other guidance pertaining to property management; as well as reviewed prior reports issued by the OIG and the Government Accountability Office;
- Interviewed Federal and contractor staff at Idaho to identify strategies regarding excess property management; and,
- Tested a judgmental sample of current sensitive property with an original acquisition value of \$5,000 or greater to validate/verify recent inventories conducted by Idaho contractor employees.

We conducted this performance inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe the evidence obtained provides a reasonable basis for our conclusions and observations based on our inspection objective. The inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Also, we assessed Idaho's compliance with Government Performance and Results Act of 1993 (GPRA) and found that performance measures had been established relating to property management. Specifically, we reviewed the Balanced Scorecard and the Department's method of measuring property management performance. Based on the information provided by the Department, we determined that Idaho met their 2010 GPRA metric for timely completion of sales which includes property management performance. Finally, we relied on computer processed data, to some extent, to satisfy our objective related to property management. We confirmed the validity of such data, when appropriate, by reviewing source documents and performing physical observations.

Management waived the Exit Conference.

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